

LISA D. NORDSTROM  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0314  
IDAHO BAR NO. 5733

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Street Address for Express Mail:  
472 W. WASHINGTON  
BOISE, IDAHO 83702-5983

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE INVESTIGATION )  
INTO THE PURCHASE GAS ADJUSTMENT ) CASE NO. INT-G-01-1  
(PGA) MECHANISM AND THE NATURAL GAS )  
PURCHASING POLICIES OF )  
INTERMOUNTAIN GAS COMPANY. ) SUPPLEMENTAL REPORT OF  
) THE COMMISSION STAFF  
)  
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)**

**COMES NOW** the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Lisa D. Nordstrom, Deputy Attorney General, submits the following supplemental report to the Staff Report "Investigation into Intermountain Gas Company's Natural Gas Purchase Policies and the Purchase Gas Cost Adjustment Mechanism dated May 22, 2001.

**Staff Investigation Update**

On January 21, 2003, the Commission asked Staff to update the Staff Report filed May 22, 2001<sup>1</sup>. In that report, Staff provided the results of its investigation of the gas purchasing practices of Intermountain Gas Company (Company) and a review of the Purchased Gas Cost Adjustment Mechanism (PGA). Included in the report were seven recommendations. On June 1, 2001, the Company filed reply comments in general agreement with Staff's recommendations.

<sup>1</sup> Staff's report, "Investigation into Intermountain Gas Company's Natural Gas Purchase Policies and the Purchase Gas Cost Adjustment Mechanism", was initiated by Commission Order No. 28632.

Listed below are each of Staff's original recommendations and a brief analysis of the current situation.

**Recommendation #1:** Maintain the existing purchase gas cost adjustment mechanism.

**Current Situation:** Staff continues to recommend that the current purchase gas cost adjustment mechanism be used.

**Recommendation #2:** Improve documentation and increase communication between the Company, the Commission, and Staff. At a minimum the Company should retain the following information:

- All graphs, visuals and charts used in discussions to make gas procurement and hedging decisions;
- Articles, letters, memos, reports, notes, etc. detailing the current gas market and/or projections;
- Summary of risk management meetings between IGI and Intermountain; and
- Written decisions resulting from each risk management meeting that are signed by a corporate officer.

**Current Situation:** Intermountain Gas has maintained all these items for Staff review. In the past year improved communication efforts enabled Staff and the Company to uncover questionable capacity release activity by the Company's current marketer, IGI Resources. Staff believes the issues are resolved on a going-forward basis but will continue to monitor the situation.

**Recommendation #3:** Staff will also review the initial documentation retained in the next several months to informally discuss the process and make additional recommendations for the Company to consider.

**Current Situation:** Staff has reviewed the documentation retained by the Company during the last two PGA periods. The Company has worked well with Staff during those periods to improve the documentation regarding the Company's purchase decisions.

**Recommendation #4:** The Company should document and report all new contracting arrangements and initiate a bidding process for new gas contracts as existing contracts expire.

**Current Situation:** The Company has documented and reported all its new gas purchase agreements. These purchases were bid and the lowest bidder that met the requirements was given the contract. The Company has kept the documents used in selecting a provider.

**Recommendation #5:** The Company should be directed to file its required Integrated Resource Plan **immediately** and provide additional annual updates in addition to the required biannual filing.

**Current Situation:** The Company filed its 2002 Natural Gas Integrated Resource Plan on April 19, 2002. The Commission accepted and acknowledged the Company's 2002 IRP filing on September 9, 2002.

**Recommendation #6:** The Company should be directed to provide to Staff the most complete, current information and services for the following:

- A complete statement of qualifications for IGI Resources;
- A complete list of the services that IGI Resources provides to Intermountain Gas Company;
- A complete list of other available services offered by IGI Resources not currently utilized by Intermountain Gas Company; and,
- A complete list of services and qualifications the Company finds necessary in a marketing service provider.

**Current Situation:** The three-year term of the Procurement, Asset Management and Administrative Service Agreement between IGI Resources and Intermountain Gas will be completed on March 31, 2003. Even though the contract includes annual extension language and a 12-month termination notification requirement, the completion of the 3-year primary contract provides the Company a realistic opportunity to investigate other marketer alternatives.

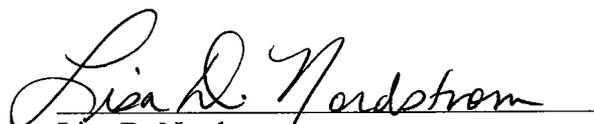
While the Company has provided some of the requested information in the past, Staff believes that the Company should use this opportunity to provide updated information plus any other information from IGI or its competitors that the Company will use to evaluate contract renewal options.

**Recommendation #7:** The Company should investigate all conservation opportunities and develop cost-effective programs that could be offered to customers.

- A deadline should be set prior to the 2001-02 heating season to institute demand side management programs that will offer cost-effective measures to all customer classes.

**Current Situation:** Because natural gas prices have declined considerably since the initiation of the investigation, the cost/benefit considerations are now substantially different. While Staff recognizes that cost-effective opportunities will be more difficult to identify, we continue to believe that demand side management is an important aspect of natural gas service. Staff encourages the Company to diligently investigate conservation opportunities and report on the investigations in the ongoing IRP process.

Respectively submitted at Boise, Idaho, this 27<sup>th</sup> day of January 2003.

  
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Lisa D. Nordstrom  
Deputy Attorney General

Technical Staff: Alden Holm  
Michael Fuss

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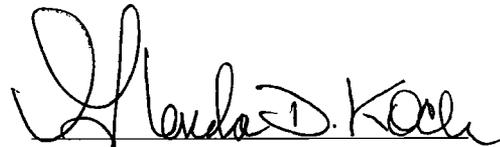
## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 27TH DAY OF JANUARY 2003, SERVED THE FOREGOING **SUPPLEMENTAL REPORT OF THE COMMISSION STAFF**, IN CASE NO. INT-G-01-1, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

MICHAEL E HUNTINGTON  
VP GOVERNMENTAL AFFAIRS  
INTERMOUNTAIN GAS COMPANY  
PO BOX 7608  
BOISE ID 83707

MORGAN W RICHARDS JR  
MOFFATT THOMAS ET AL  
PO BOX 829  
BOISE ID 83701-0829

MIKE McGRATH  
INTERMOUNTAIN GAS COMPANY  
PO BOX 7608  
BOISE, ID 83707

  
SECRETARY